

Renfrewshire Integration Joint Board

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

Prepared for Members of Renfrewshire Integration Joint Board
February 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Renfrewshire Integration Joint Board (Renfrewshire IJB). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p>2 Preparation of annual accounts</p> <p>The 2016/17 financial statements will be the first for the operational IJB and will be more complex than those produced in 2015/16. The Chief Finance Officer will be supported by Renfrewshire Council finance staff however it is still to be confirmed what level of support will be provided. There is a risk that the IJB does not have the relevant financial expertise to prepare timely, accurate and Code compliant annual accounts.</p>	<p>The Chief Finance Officers' Network is working with the Scottish Government, CIPFA and Audit Scotland to agree and adopt a standard annual accounts template.</p> <p>The Chief Finance Officer has committed to work closely with the IJB's external auditors in preparation of the 2016/17 accounts, taking on board their recommendations and advice.</p> <p>The Chief Finance Officer and Renfrewshire Council's</p>	<p>Ongoing planning with officers to ensure that the annual accounts are prepared and audited in sufficient time to allow the accounts to be approved in September.</p> <p>Review of compliance with accounting standards as part of financial statements audit.</p>

Audit Risk	Management assurance	Planned audit work
	<p>Head of Corporate Finance will work closely to plan and prepare the 2016/17 accounts. They will meet regularly to monitor progress, to ensure accurate and Code compliant accounts are presented to the Integration Joint Board for approval at their meeting in June 2017.</p>	
Wider dimension risks		
<p>3 2016/17 budget and savings proposals</p> <p>The IJB's 2016/17 budget has not been approved. At the meeting on 25 November 2016, the Board rejected the 2016/17 savings proposals of £1.4m. If the savings proposals cannot be agreed NHS Greater Glasgow and Clyde and Renfrewshire Council will have to fund the shortfall. There is a risk that the IJB does not agree savings proposals for 2016/17 resulting in a need to utilise earmarked funds which may impact on service delivery.</p>	<p>At its meeting on 20 January 2017, the IJB agreed to identify the required 2016/17 savings as part of the 2017/18 budget planning process.</p> <p>The budget update for March 2017 and subsequent reports to the IJB will identify plans to achieve savings on a recurring basis and also address likely future savings challenges.</p> <p>The Chief Officer and Chief Finance Officer will work with IJB members and other professional leads to agree a comprehensive risk assessed approach to develop viable saving proposals which minimise impact on service users' outcomes.</p>	<p>Review of the IJB's progress in agreeing its budget and savings plans for 2016/17.</p> <p>Assess the success of the IJB in achieving the required savings.</p>
<p>4 Financial planning</p> <p>The IJB's 2017/18 budget is still being developed. The savings required for 2017/18 are more challenging than those required in 2016/17. There is high projected growth in demand and increased costs to fund the living wage, self directed support and home care. If recurring savings are not agreed for the 2016/17 financial year the challenge of meeting the savings gap will increase. There is a risk that delays in agreeing the 2017/18 budget will impact negatively on the financial management of the IJB and service delivery.</p>	<p>The timing of NHS financial planning and associated partnership budget contributions is a national issue. We continue to raise this through a number of forums both locally and nationally.</p> <p>See also the management assurance given for the risk above.</p>	<p>Review of the effectiveness of the IJB's financial plans.</p> <p>Review of the IJB's progress in agreeing a budget and savings proposals for 2017/18.</p>

Reporting arrangements

3. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

4. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

5. We will provide an independent auditor's report to Renfrewshire IJB and Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Accountable Officer and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Audit Committee (or equivalent) Date
Annual Audit Report including ISA 260 requirements	8 September 2017	21 September 2017
Signed Independent Auditor's Report	29 September 2017	21 September 2017

Audit fee

6. The proposed audit fee for the 2016/17 audit of Renfrewshire IJB is £17,400. In determining the audit fee we have taken account of the risk exposure of Renfrewshire IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 30 June 2017.

7. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

8. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

9. The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

10. Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

11. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

12. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Renfrewshire IJB and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Renfrewshire IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

13. We will give an opinion on the financial statements as to:

- whether they give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of Renfrewshire IJB as at 31 March 2017 and of the income and expenditure of Renfrewshire IJB for the year then ended
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Renfrewshire IJB are set out in [Exhibit 3](#).



Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the budget for 2016/17.	£2.427 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of planning materiality.	£1.456 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been set at the maximum value permitted.	£0.100 million

15. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issue identified will be reported to the Audit Committee.

Timetable

16. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Submission of consolidation pack to NHS Greater Glasgow and Clyde	31 May 2017
Consideration of unaudited financial statements by those charged with governance	29 June 2017
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Chief Finance Officer	Early September 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2017
Independent auditor's report signed	By 30 September 2017

Internal audit

17. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by the internal audit service of Renfrewshire Council.

Adequacy of Internal Audit

18. We carry out an annual assessment of the internal audit function to determine whether it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards. We will report the results of this review when completed.

Areas of reliance

19. In respect of our wider dimension audit responsibilities we plan to consider internal audit work including:

- Review of IJB Governance Arrangements.

Audit dimensions

20. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



21. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on Best Value.

Financial sustainability

22. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

23. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether Renfrewshire IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether Renfrewshire IJB can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
- how Renfrewshire IJB has assured itself that its financial capacity and skills are appropriate
- whether Renfrewshire IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

24. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether Renfrewshire IJB can demonstrate that governance, decision-making and scrutiny arrangements are effective
- whether Audit Committee and Board members and staff demonstrate high standards of behaviour and receive sufficient training and development
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

25. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether Renfrewshire IJB can provide evidence that it is demonstrating value for money in the use of its resources and achievement of outcomes.

Strategic plan for the five year appointment

26. As part of our responsibility to report on the audit dimensions over the current audit appointment we have identified the following areas of proposed audit work (this will be subject to annual review):

Exhibit 6 Strategic plan

Dimension	2016/17	2017/18	2018/19 to 2020/21
Financial sustainability	Financial planning		
Financial management		Financial governance and resource management	
Governance and transparency	Governance		
Value for money			Operational efficiency

Independence and objectivity

27. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

28. The engagement lead for Renfrewshire IJB is David McConnell, Assistant Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Renfrewshire IJB.

Quality control

29. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

30. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

31. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision.

We welcome feedback at any time and this may be directed to the engagement lead.

Renfrewshire Integration Joint Board

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